



Director of
Central
Intelligence

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PERSIAN GULF: Situation Report

Iraq and the Gulf Cooperation Council

Iraq's government-controlled press yesterday denounced the proposed dialogue between Iran and members of the Gulf Cooperation Council, describing it as contravening November's Arab summit, which condemned Iran for failing to accept a cease-fire with Iraq. Meanwhile, the vice chairman of Iraq's ruling Revolutionary Command Council, Izzat Ibrahim, concluded visits to Kuwait and Saudi Arabia on Monday after conveying messages from Iraqi President Saddam Husayn.

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[redacted] Baghdad is concerned that any dialogue between the GCC and Iran will weaken the unified Arab position that emerged from the summit and erode Iraqi efforts to isolate Iran.

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Ground War Developments

[redacted]

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Effect on Civil Liberties of Lifting of Nicaragua's State of Emergency*

Freedom of Expression	Formal end to censorship may encourage more open criticism of regime. Managua likely to use indirect measures to curb media.
Freedom of Movement	Might prompt greater outflow of refugees. Internal security forces will continue to monitor suspected insurgent sympathizers.
Right To Strike	Likely to give boost to independent unions, but Labor Ministry will use bureaucratic means to help prevent union unrest.
Right to Habeas Corpus/Trial by Jury	Will curtail blatant abuses of revolutionary tribunals, but Sandinistas unlikely to cease prosecution of rebel sympathizers.
Right to Free Assembly	Likely to give opposition new opportunity to broaden appeal. Political rallies/demonstrations still require government approval. Constitution limits formation of parties.

* The state of emergency was enacted in March 1982, expanded in October 1985, and reimposed when the new constitution was promulgated in January 1987.

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NICARAGUA:

Postsummit Moves

The Sandinistas will probably implement the concessions President Ortega announced at the Central American summit, but recent detentions of opposition leaders indicate the regime will tolerate no links between the rebels and internal dissidents.

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Managua lifted the six-year-old state of emergency on Monday and abolished the special tribunals used to try rebel supporters. Ortega bound himself to release political prisoners only after a cease-fire is reached or, if talks fail, to non-Central American countries.

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Ortega promised that two Nicaraguans would join the foreigners on the government's delegation to cease-fire negotiations with the rebels—which might resume as early as next week in Costa Rica. He has ruled out discussion of political issues with the insurgents, however. After meeting with Cardinal Obando on Monday, Ortega announced that Obando's assistant will serve as mediator during the Cardinal's previously scheduled three-week trip to Europe on Church business.

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Rebel leaders endorsed the Sandinista offer of direct negotiations and called for simultaneous talks on democratic reforms, with the participation of the internal opposition. They conditioned their endorsement, however, on Managua's release of five opposition leaders arrested yesterday, according to press reporting. On Monday, the regime had released seven opposition leaders detained last weekend.

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[REDACTED] The Sandinistas probably calculate they can live without the state of emergency; at least until the US Congressional vote on aid to the insurgents scheduled for next month. The detentions are probably a warning to dissidents; they evidently reflect Sandinista concern about rebel efforts to establish a front in urban areas through an alliance with the civilian opposition. Opposition groups may be encouraged to increase their activities by the lifting of the state of emergency, but they will be wary of Sandinista retaliation if the peace process breaks down.

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USSR-NATO:

Soviet Views on Tactical Nuclear Arms

Soviet Foreign Minister Shevardnadze has offered to compromise with NATO on how to deal with tactical nuclear arms in future talks on conventional forces from the Atlantic to the Urals.

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In a speech in Bonn on Monday, Shevardnadze proposed a formula for dealing with tactical nuclear weapons systems in Europe that would separate consideration of their nuclear components from consideration of their delivery means. He proposed that the dual-purpose delivery means be included in new talks on conventional forces, whose mandate is under discussion in Vienna, and that the nuclear component be deferred to future "corresponding negotiations."

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Meanwhile, Soviet General Staff Chief Akhromeyev noted at a news conference in Moscow on Saturday that the tactical nuclear question had become an obstacle in Vienna and promised "new proposals" to resolve the issue when the mandate talks resume next week. The press conference also highlighted the Soviet search for a nuclear-free world and described the INF treaty as fulfilling one stage of the grand plan outlined by Mikhail Gorbachev two years ago to eliminate all nuclear weapons by the year 2000.

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Although both Shevardnadze and Akhromeyev advocated the elimination of tactical nuclear arms, they did so—as have others—in the broad context of an eventual nuclear-free world. Neither specifically proposed eliminating either the tactical nuclear delivery means—aircraft, missiles and launchers, and artillery tubes—or the nuclear munitions—nuclear bombs, missile warheads, and artillery projectiles. The formula Shevardnadze suggested, however, would permit the Soviets to call in the future for a "third zero" on just the nuclear munitions. Such a proposal would serve to denuclearize Europe, while protecting Soviet interests in maintaining dual-capable delivery means as conventional weapons systems.

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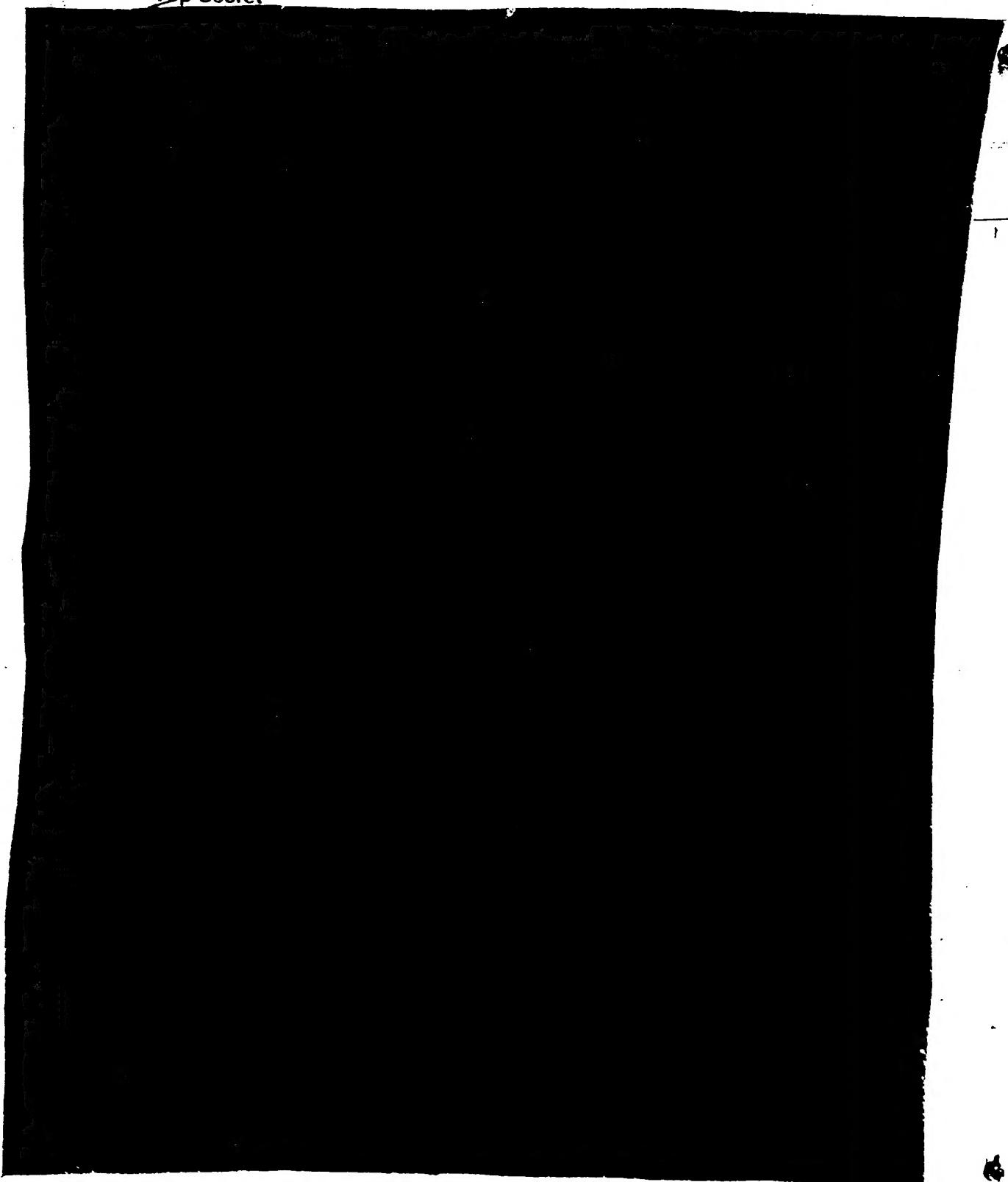
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ARGENTINA:

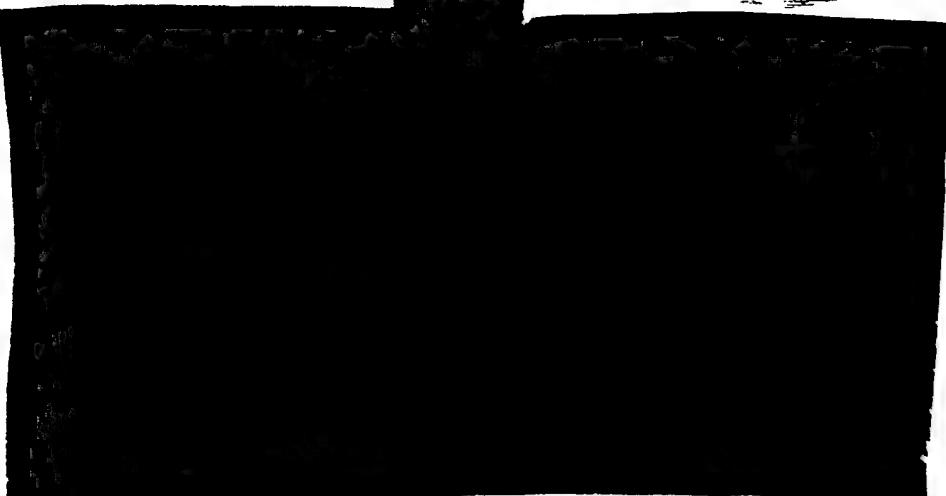
Planning for Debt Contingencies

Argentina is laying the groundwork for a moratorium on its external debt should efforts to obtain new money from international creditors fail.

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Argentina will probably try to make one more good-faith effort to address [redacted] concerns. An agreement [redacted] would better enable Buenos Aires to request a bridge loan from the US and other countries to meet more than \$400 million in bond payments due on 15 February. Even with an agreement, the next regular disbursements to Argentina—\$225 million from the IMF and \$550 million from commercial banks—are not likely to be made before early March.

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Over the longer term, it will be increasingly difficult for Argentina to raise such large sums of new money. Buenos Aires will need continuing infusions of funds from bankers and other creditors throughout this year to avoid a debt moratorium.

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IVORY COAST:

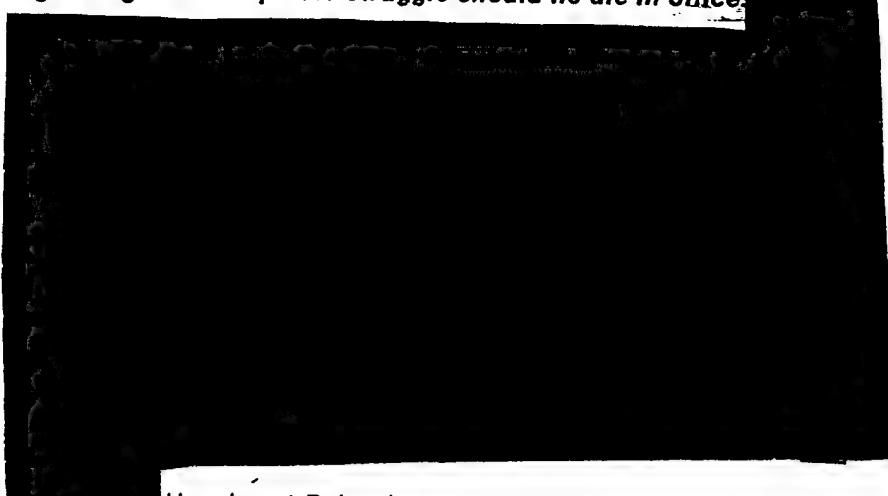
Political Concerns

Ruling-party pressure on octogenarian President Houphouet-Boligny to name a successor and a spate of coup rumors indicate growing fear of a power struggle should he die in office.

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Houphouet-Boligny's age and the country's deteriorating economy are leading to increased concern in the party about a possible leadership struggle. Houphouet-Boligny probably will resist pressure to leave office—even if his health begins to fail—at least until his pet project, the building of the Yamoussoukro Basilica, is completed late this year. Neither of the two most likely successors, National Assembly President Bedie nor Economic Council President Yace—both pro-Western moderates—[redacted] and they probably will not press Houphouet-Boligny to choose a successor. [redacted]

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Coup rumors are unusual in Ivory Coast and may have been partly fueled by the President's recent cancellation of two state visits because of eye problems and fatigue.

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USSR-CHINA: Soviet Optimism About Relations

The Soviets are portraying General Secretary Gorbachev's interview in a Chinese weekly as a positive signal, despite Beijing's efforts to play it down. Deputy Foreign Minister Rogachev said last week that Moscow considered the interview to be a sign of a warming trend in relations. He added that it shows Beijing recognizes the significance of the Soviet efforts to reach political settlements in Afghanistan and Cambodia as well as Soviet troop withdrawals from Mongolia last year. Meanwhile, [redacted] a Soviet diplomat [redacted] asked probing questions [redacted] about the effect on Sino-US relations of differences [redacted] between the US and China over Tibet and over arms sales to Iran.

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[redacted] Gorbachev, in his interview, clearly tried to capitalize on any nervousness in Beijing created by the Soviet-US summit. He pushed the Chinese to bring their political dialogue to the summit level and hinted China may be losing ground in the strategic triangle, although he publicly assured Beijing that Moscow is not trying to undercut China's position in that relationship. Although the diplomat expressed doubts that a Sino-Soviet summit would take place this year, the Soviets clearly are pleased by the direction of events and probably are convinced the request for the interview and its publication in China are proof that progress on the obstacles is having the desired effect in Beijing. Beijing is trying to encourage Soviet pressure on Vietnam but continues to insist that the Cambodian issue must be resolved before a summit. [redacted]

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USSR-SPAIN: Shevardnadze Visit

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[redacted] The Soviets welcome Spain's nuclear-free status in NATO and [redacted] The visit also gives Moscow another opportunity to portray itself as taking the initiative [redacted] and to restate its commitment to internal reforms. The visit comes at a delicate time for Prime Minister Gonzalez—just after agreement on reduction of the US military presence in Spain and just before his Socialist Party's national congress. [redacted]

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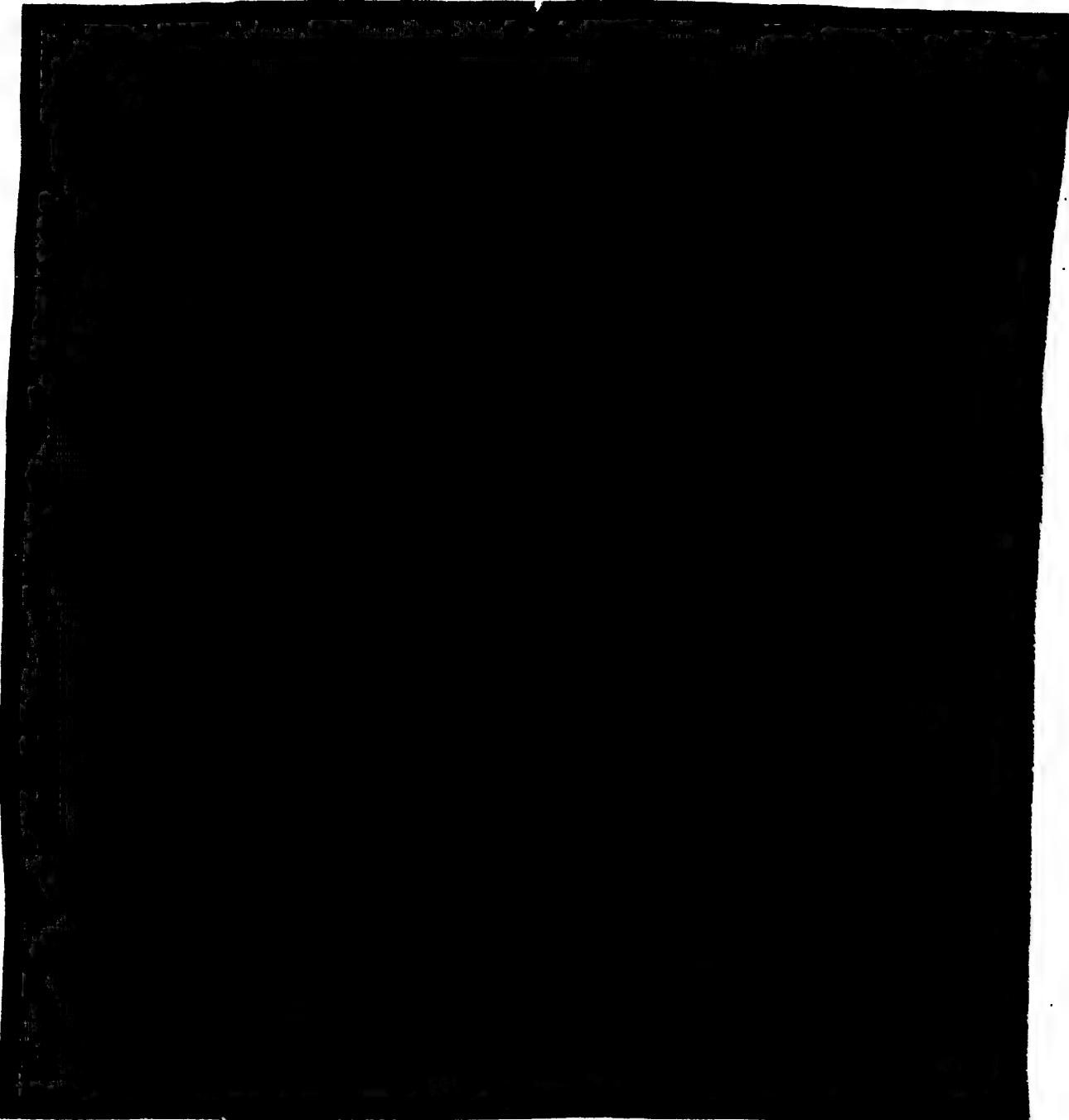
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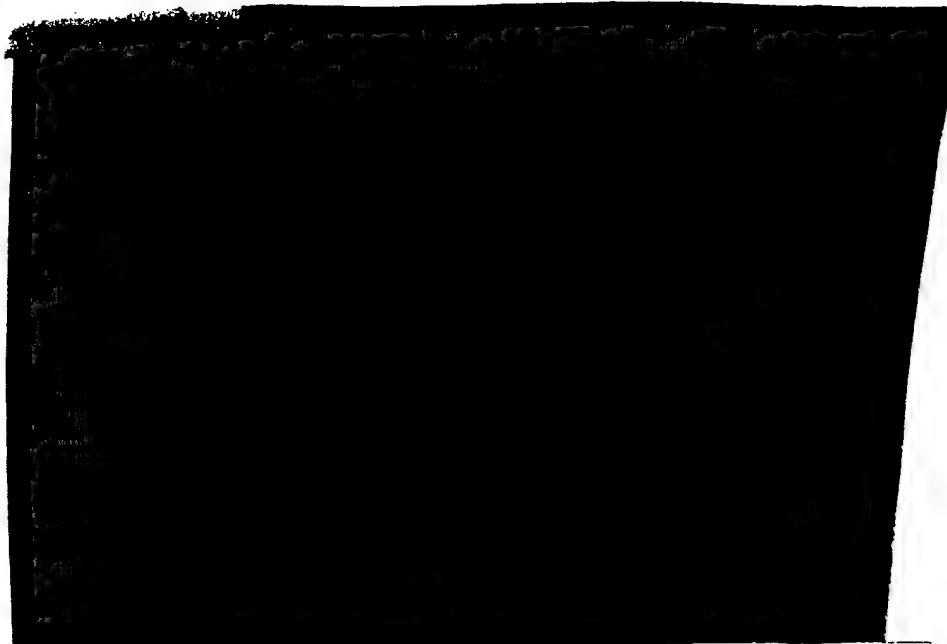
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USSR-ISRAEL: Soviets Approve Israeli Visit

A Soviet Foreign Ministry spokesman announced yesterday that an Israeli delegation would make a "short visit" to Moscow but that no date had been set. He said the visit would be to assess the work done by the Dutch Embassy, which handles Israeli interests in the USSR. He denied that the visit was to reciprocate the visit of a Soviet consular delegation, which has been in Israel since July 1987, and reiterated that diplomatic relations could resume only as part of an Arab-Israeli settlement. The announcement followed a sharp denunciation by the spokesman of Israel's handling of Palestinian unrest in the occupied territories.

The Israeli visit will be the first official one since the USSR broke relations in 1967 and is another step in the process of normalizing relations that the Soviets began in 1985. Approval of the visit reverses the Soviets' earlier unwillingness to receive an Israeli delegation and probably means Moscow hopes this will ease Israel's renewal of visas for the Soviet consular representation and further improve the atmosphere in US-Soviet relations during preparations for the Moscow summit. In light of the current unrest in the Israeli-occupied territories, the Soviets will have difficulty explaining the move to their Arab friends and are probably trying to play it down with a strident condemnation of Israeli policy.

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SRI LANKA: Finance Minister Quits

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De Mel has been instrumental in implementing policies that have furthered economic liberalization on the island. Although his departure probably will not change Sri Lanka's economic policy significantly, it may slow the government's ability to secure foreign assistance because De Mel was particularly skillful at soliciting funds. De Mel is a darkhorse presidential contender; he lacks the party credentials and popular support of other UNP candidates, such as Prime Minister Premadasa. De Mel's push for the presidency is likely to create more splits within the ruling party and weaken its chances of retaining power.

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PHILIPPINES: Early Election Returns

[REDACTED] candidates associated with President Aquino's ruling coalition are doing well in local elections on Monday, especially in the 76 gubernatorial contests. Opposition candidates—including several who served in key posts under former President Marcos—appear headed for wins, however, in some cases over Aquino's relatives. There are scattered reports of fraud, including ballot box snatching and vote buying, but no indications of systematic cheating. Although a relatively peaceful voting day kept the number of election-related killings in recent weeks down to about 100, Communist Insurgents did take advantage of Manila's redeployment of troops to election hot spots by increasing their ambushes and raids in several provinces.

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[REDACTED] A national trend is difficult to discern with less than 20 percent of the returns available in many key races. The likelihood that several Aquino-backed candidates will lose and that some Marcos cronies will be returned to office suggests, however, the administration's authority at the local level will be challenged. Meanwhile, the slow count—a result of administrative difficulties—will almost certainly increase charges of fraud.

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In Brief

Africa

- **South African** military publication carrying first official public acknowledgement of chemical warfare activities . . . gives production figures, defensive capabilities . . . includes recent photo of soldier in full protective gear. [REDACTED] b3
- **Guinean** President Conte shuffled cabinet Monday amid rumors of coup plotting, according to press . . . removes rivals, increases civilian influence in government . . . should temporarily stem further military plotting, increase Conte's control. [REDACTED] b3

Europe

- **East Germany** [REDACTED] expelled 14 dissidents connected with Church of Zion to **West Germany** over weekend . . . change from practice of imprisonment . . . may calculate it serves internal security and human rights image abroad. [REDACTED] b3
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USSR

- **USSR, Nicaragua** signed three-year, \$294 million economic aid agreement Friday. [REDACTED] . . . includes machinery, equipment, investment project financing . . . probably in addition to Soviet aid for oil, consumer goods. [REDACTED] b3
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- **Soviet Deputy Foreign Minister Komplektov** arrived in **Colombia** on Sunday. [REDACTED] . . . highest ranking Soviet to visit since 1981 . . . may be discussing stronger commercial ties. [REDACTED] b3

Americas

- **Argentine Government** in control of all military installations . . . loyal troops have arrested almost 300 rebels . . . at least one prominent leader escaped, however, posing threat of further acts of insubordination. [REDACTED] b3
- **Brazil** to ask bankers for bridge loan of about \$800 million to cover this month's interest payments . . . had agreed to these payments, now says reserves insufficient . . . [REDACTED] b3

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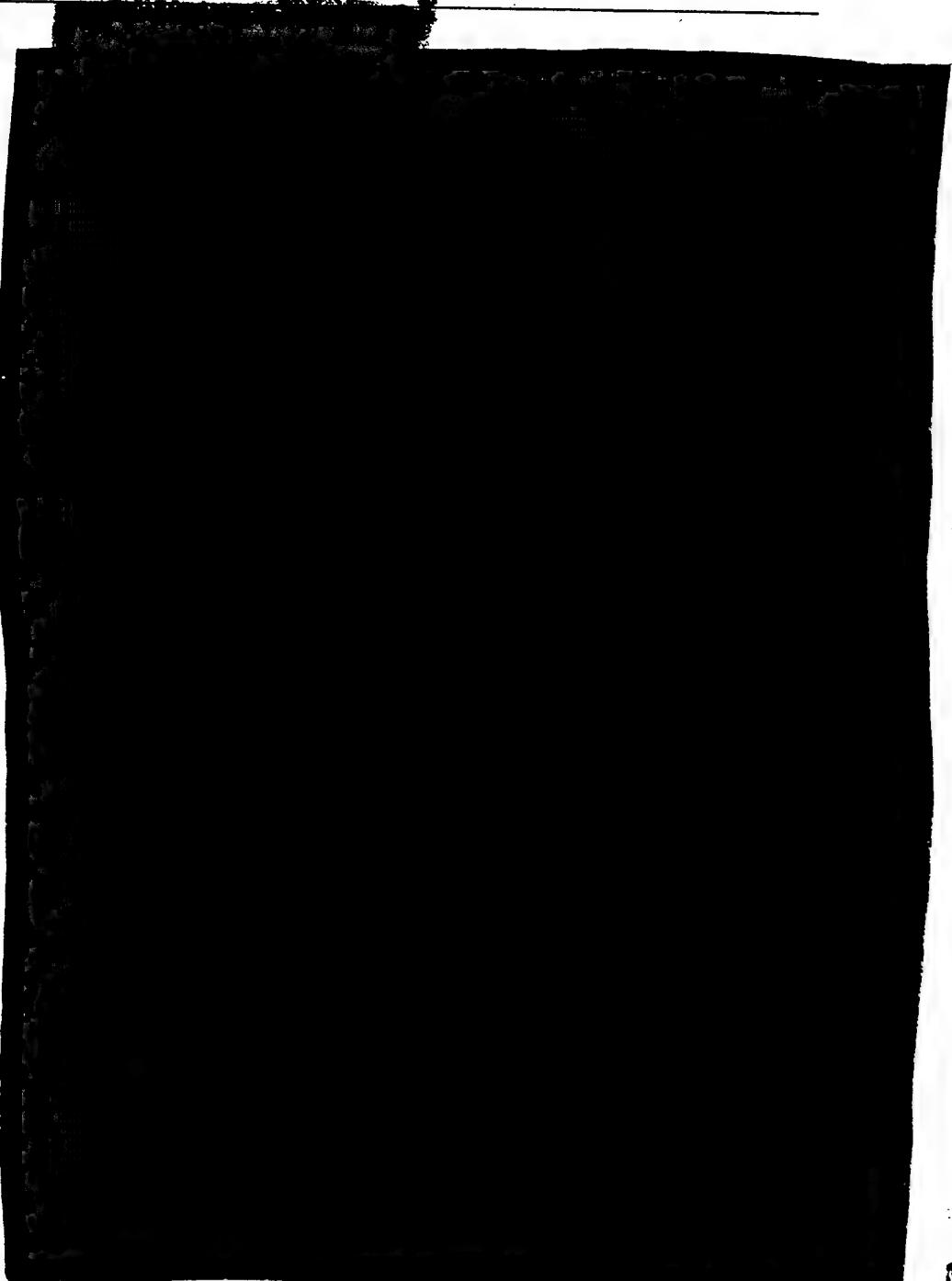
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Special Analysis



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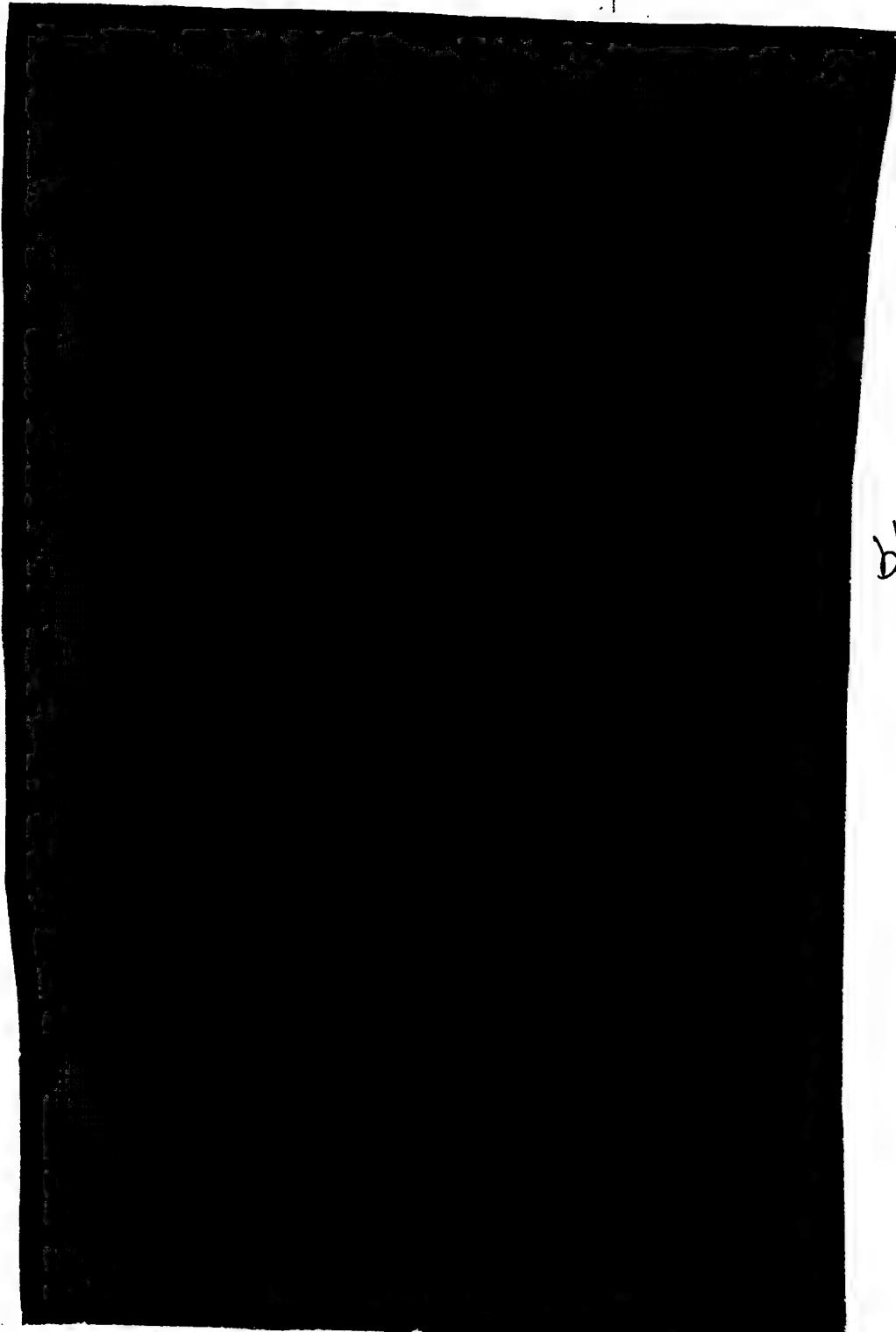
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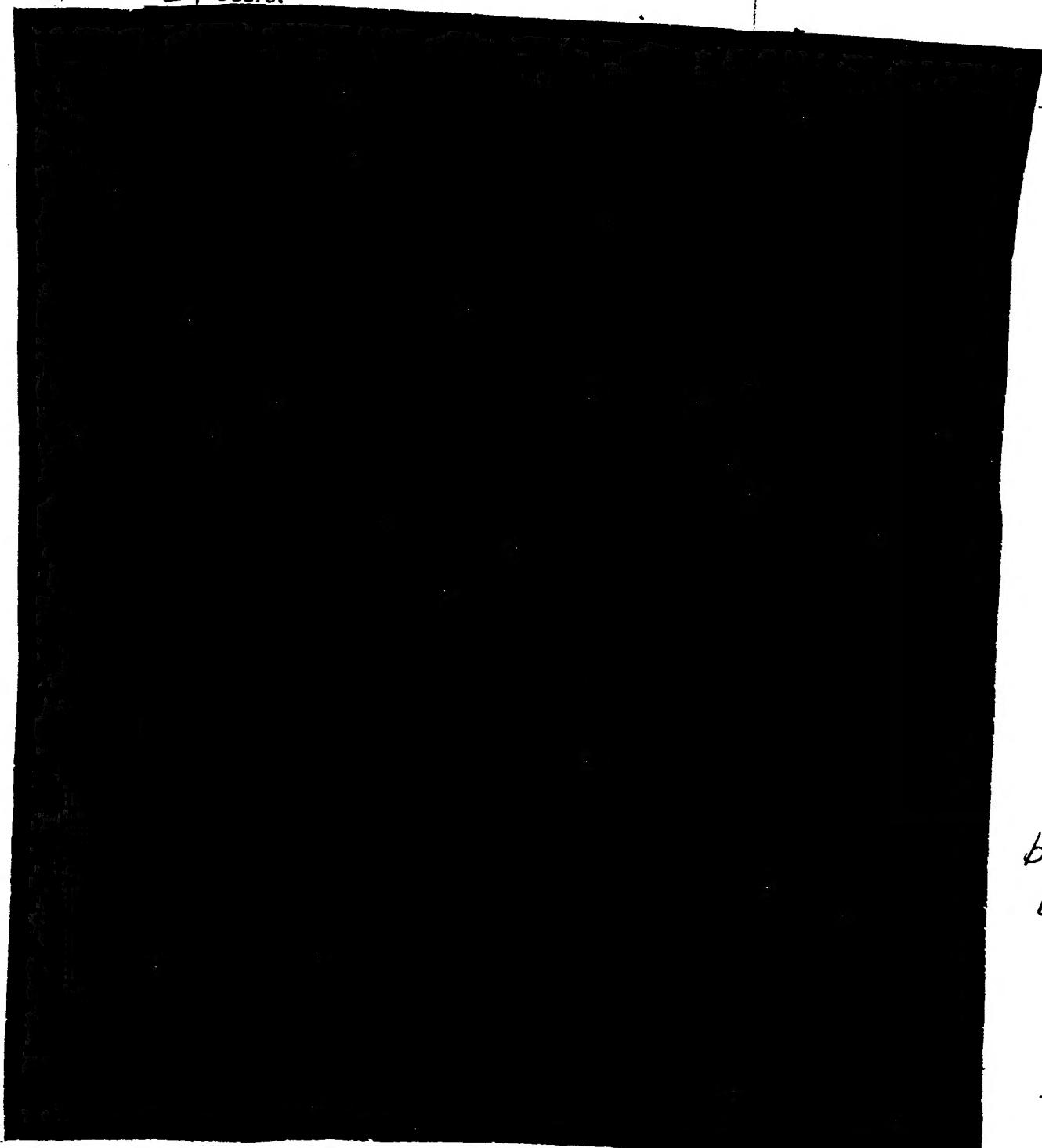
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Special Analysis

EL SALVADOR:

Military Stalemate To Continue

The Salvadoran military retains the strategic edge in its eight-year-old war against Marxist guerrillas, but no end to the insurgency is anticipated in the near term. While continuing their current strategy of low-risk attacks on economic and military targets, the rebels probably continue to plan spectacular combat actions—and perhaps attempt one as early as this month, the anniversary of the guerrillas' 1981 "final offensive."

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Guerrillas took advantage of the Army's involvement in earthquake relief efforts to increase their activity sharply in late 1986 and early last year, including a devastating assault on an Army brigade headquarters at El Paraiso last March. The rebels reverted to harassment, ambush actions, and attacks on civil defense units and economic targets when the government launched an aggressive nationwide offensive last summer. Their political objectives—generating a general labor strike and fomenting widespread urban violence—continue to elude them.

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Although initially slow to respond to the rebel offensive, government forces in May launched an ambitious, nationwide campaign against guerrilla base areas. Some 363 guerrillas were killed and 223 wounded, and insurgent operations were temporarily disrupted in some parts of the country; government casualties numbered more than 1,000. The armed forces' tactical momentum slowed by late last year as the logistic situation deteriorated and some units bogged down following a unilateral cease-fire mandated by the regional peace plan.

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Although the Army retains the strategic initiative, it still has several chronic deficiencies. Spotty leadership and mediocre tactical performance continue to keep some units from reaching their potential.

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The military plans at least four major operations this year to maintain pressure on guerrilla base areas.

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These campaigns will inflict some losses on the insurgents and disrupt their plans but are not likely to alter the strategic balance dramatically.

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The insurgents will continue to rely on sabotage, ambush, and other low-risk, high-yield tactics and will probably try spectacular attacks against vulnerable targets, perhaps keyed to the seventh anniversary this month of the guerrillas' ill-fated "final offensive" or to the legislative elections in March. Like the Army's large-scale operations, such actions will pay short-term dividends but are not likely to break the current tactical stalemate.

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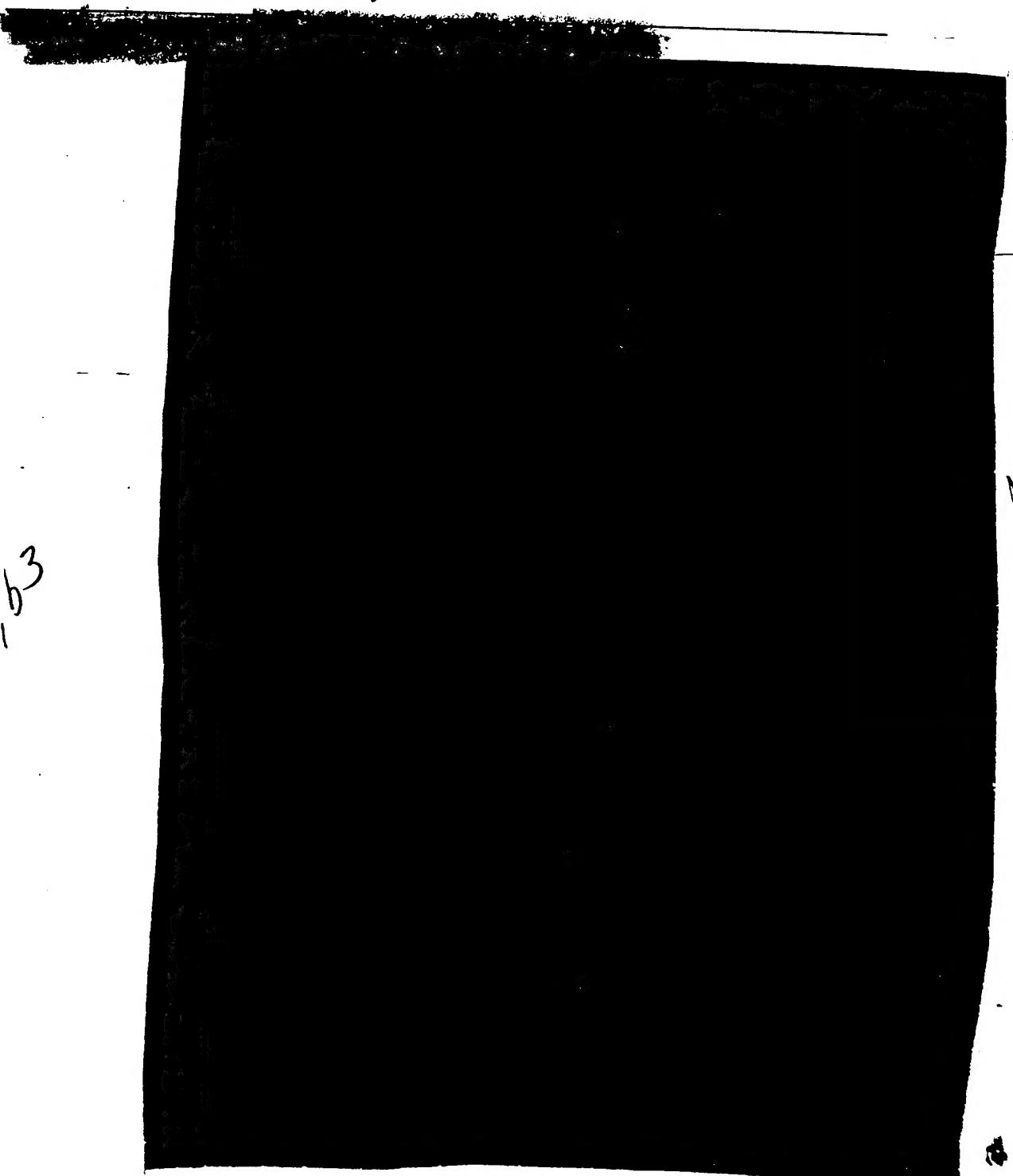
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Special Analysis



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